

TESTIMONY OF CHARLES J. WILLOUGHBY, INSPECTOR GENERAL

**BEFORE THE
COUNCIL OF THE DISTRICT OF COLUMBIA
COMMITTEE ON GOVERNMENT OPERATIONS
AND THE ENVIRONMENT**

FISCAL YEAR 2012 BUDGET REVIEW

APRIL 20, 2011

GOOD MORNING CHAIRPERSON CHEH AND MEMBERS OF THE COMMITTEE. I AM CHARLES J. WILLOUGHBY, INSPECTOR GENERAL, AND I AM PLEASED TO TESTIFY TODAY CONCERNING THE PROPOSED FISCAL YEAR (FY) 2012 BUDGET REQUEST FOR THE OFFICE OF THE INSPECTOR GENERAL (OIG). WITH ME TODAY TO ASSIST IN THE PRESENTATION OF THE BUDGET REQUEST IS RANEE PHILLIPS, OUR BUDGET OFFICER.

AGENCY MISSION

THE MISSION OF THE OFFICE OF THE INSPECTOR GENERAL IS TO CONDUCT INDEPENDENT AUDITS, INVESTIGATIONS, AND INSPECTIONS TO DETECT AND PREVENT FRAUD, WASTE, ABUSE, AND MISMANAGEMENT, AND TO HELP THE DISTRICT OF COLUMBIA GOVERNMENT IMPROVE ITS PROGRAMS AND OPERATIONS BY PROMOTING ECONOMY, EFFICIENCY, AND EFFECTIVENESS.

BUDGET OVERVIEW

OUR TOTAL REQUESTED OPERATING BUDGET FOR FY 2012 IS \$15.3 MILLION. THE FY 2012 PROPOSED BUDGET WOULD SUPPORT 112 FTEs. WHEN COMPARED TO OUR FY 2011 APPROVED GROSS OPERATING BUDGET OF \$16.2 MILLION AND 118 FTEs, THIS REPRESENTS A DECREASE OF \$878 THOUSAND AND 6 FTEs WITHIN THE LOCAL BUDGET, AND LESS THAN 1 PERCENT GROWTH IN THE FEDERAL BUDGET OF \$27,996.

THE GROSS BUDGET AMOUNT OF \$15.3 MILLION IS COMPRISED OF \$13 MILLION IN LOCAL FUNDS AND \$2.3 MILLION IN FEDERAL GRANT FUNDS (AN INCREASE OF \$28,457). THE GRANT FUNDS SUPPORT 17 FTEs, OR 75 PERCENT OF THE COSTS ASSOCIATED WITH THE OPERATION OF THE MEDICAID FRAUD CONTROL UNIT (MFCU) WITHIN THE OFFICE. THE LOCAL BUDGET SUPPORTS 95 FTEs, AS WELL AS THE COST OF CONTRACTING FOR THE AUDIT OF THE DISTRICT'S COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR). THE COST OF THE CAFR NEXT YEAR IS BUDGETED AT \$3 MILLION.

ALLOCATION OF FUNDS

THE OFFICE OF THE INSPECTOR GENERAL IS A PERFORMANCE-BASED BUDGET AGENCY THAT ALLOCATES FUNDING FOR THE FOLLOWING SPECIFIC PROGRAMS:

- **THE ACCOUNTABILITY, CONTROL, AND COMPLIANCE PROGRAM**

WILL HAVE A FUNDING BUDGET OF \$7.5 MILLION, A DECREASE OF \$740 THOUSAND AND 6 FTEs FROM THE FY 2011 APPROVED BUDGET OF \$8.2 MILLION. THE DECREASE TO THIS ACTIVITY WAS DUE TO THE LOSS OF \$533 THOUSAND IN SUPPORT OF THE MAYOR'S GAP-CLOSING PLAN, FURLOUGHS, AND HEALTHCARE SAVINGS. ONE HUNDRED EIGHTY-SEVEN (\$187) THOUSAND WAS REDIRECTED TO THE AGENCY MANAGEMENT AND LAW ENFORCEMENT PROGRAMS TO SUPPORT INCREASES IN PERSONAL SERVICES. THIS BUDGET SUPPORTS 45 FTEs.

- **THE LAW ENFORCEMENT PROGRAM** WILL HAVE A FUNDED BUDGET OF \$5.7 MILLION. THIS PROGRAM IS COMPRISED OF \$3.5 MILLION IN LOCAL FUNDS, WHICH IS A NET INCREASE OF \$57 THOUSAND OVER THE FY 2011 APPROVED BUDGET OF \$3.4 MILLION. HOWEVER, THERE IS A DECREASE TO THIS PROGRAM DUE TO A REDUCTION OF \$130 THOUSAND IN SUPPORT OF THE MAYOR'S COST SAVINGS INITIATIVE. FUNDS IN THE AMOUNT OF \$187 THOUSAND WERE REDIRECTED FROM THE ACCOUNTABILITY, CONTROL, AND COMPLIANCE PROGRAM TO SUPPORT INCREASES IN PERSONAL SERVICES (FRINGE BENEFIT INCREASES). THIS PROGRAM ALSO INCLUDES \$2.3 MILLION IN FEDERAL GRANT FUNDS TO SUPPORT THE MEDICAID FRAUD CONTROL UNIT. THE GROSS BUDGET SUPPORTS 51 FTEs.

- **THE AGENCY MANAGEMENT PROGRAM** WILL HAVE A FUNDING BUDGET OF \$2 MILLION, WHICH IS A DECREASE OF \$195 THOUSAND DUE TO THE REDUCTION OF \$191 THOUSAND IN SUPPORT OF THE MAYOR'S COST SAVINGS INITIATIVE AND AN ADDITIONAL REDUCTION OF \$4 THOUSAND, WHICH WAS TRANSFERRED TO THE OFFICE OF THE CHIEF TECHNOLOGY OFFICER (OCTO) IN ORDER TO SUPPORT INFORMATION TECHNOLOGY (IT) ASSESSMENTS. THIS BUDGET SUPPORTS 16 FTEs.

THE NONDISCRETIONARY BUDGET

A BRIEF ANALYSIS OF THE OIG BUDGET REVEALS THAT SEVERAL MILLION DOLLARS OF OUR FUNDING IS DESIGNATED FOR MANDATED ACTIVITIES. FUNCTIONS REQUIRED BY LAW INCLUDE THE FOLLOWING:

- AUDIT OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)
- AUDIT OF THE HIGHWAY TRUST FUND
- AUDIT OF PROCUREMENT AND CONTRACT ADMINISTRATION
- AUDIT OF THE HOME PURCHASE ASSISTANCE FUND
- AUDIT OF THE HIGHWAY TRUST FUND 5-YEAR FORECAST
- AUDIT OF THE ANTIFRAUD FUND OF THE OFFICE OF THE ATTORNEY GENERAL
- AUDIT OF THE PROFESSIONAL ENGINEERS FUND

- AUDIT OF SPECIAL EDUCATION ATTORNEY CERTIFICATIONS
- AUDIT OF THE OFFICE OF TAX AND REVENUE FOR THE PURPOSES OF EXAMINING THE DISTRICT'S MANAGEMENT AND VALUATION OF COMMERCIAL REAL PROPERTY ASSESSMENTS
- MAINTENANCE OF A LIVE COMPLAINT HOTLINE
- REFERRAL OF CRIMINAL ALLEGATIONS TO THE U.S. ATTORNEY'S OFFICE FOR POSSIBLE PROSECUTION AND CONDUCTING INVESTIGATIONS AS NECESSARY
- FRAUD AND ABUSE INVESTIGATIONS AND PROSECUTIONS REGARDING OR RELATED TO THE DISTRICT'S MEDICAID PROGRAM

EFFECT OF BUDGET CUTS

OVER THE LAST TWO BUDGET CYCLES (FY 2011 AND FY 2012), THE OIG HAS SHARED IN CITYWIDE CUTS THAT SIGNIFICANTLY REDUCED ITS OPERATIONAL FUNDING IN THE PROPOSED BUDGET. OUR MISSION-BASED BUDGET RECOGNIZED THE NEED TO ACQUIRE, TRAIN, AND RETAIN A COMPETENT AND COMPETITIVE PROFESSIONAL STAFF. CUTS IN FUNDING AND PERSONNEL (THAT IS, ELIMINATING 6 FTEs) EXACERBATE THE CONTINUING PROBLEM OF ACCOMPLISHING BOTH PLANNED WORK AND EMERGING WORK REQUESTED BY DISTRICT AGENCY DIRECTORS, COUNCILMEMBERS, THE EXECUTIVE, AND STAKEHOLDERS.

A MAJOR PORTION OF THE OIG BUDGET IS CONSUMED BY RESPONSIBILITIES MANDATED BY STATUTE, AND OUR RESULTS IN THIS AREA INCREASE EACH YEAR. IN THE LAST FISCAL YEAR, CASES IN OUR INVESTIGATIONS DIVISION RESULTED IN 6 INDICTMENTS, 33 ARRESTS, 22 CONVICTIONS, 32 SENTENCES, AND THE ISSUANCE OF 350 SUBPOENAS. IN ADDITION, OIG INVESTIGATIONS RESULTED IN MORE THAN 2.6 MILLION IN RESTITUTION ORDERS AND RECOVERIES. FURTHER, IN FY 2010, THE OIG INVESTIGATIONS DIVISION ISSUED 8 REPORTS OF INVESTIGATION CONTAINING A TOTAL OF 21 RECOMMENDATIONS, 3 MANAGEMENT ALERT REPORTS, 14 SIGNIFICANT ACTIVITY REPORTS, 6 LETTERS OF CLOSURE, AND 24 INVESTIGATIVE REFERRALS. THE OIG INVESTIGATIONS DIVISION ALSO CONTINUED ITS REFERRAL PROGRAM, WHICH RESULTED IN 308 REFERRALS TO OTHER GOVERNMENT AGENCIES. FINALLY, THE OIG INVESTIGATIONS DIVISION CONDUCTED REGULAR OUTREACH WITH OTHER DISTRICT GOVERNMENT EMPLOYEES IN THE FORM OF CORRUPTION PREVENTION LECTURES.

DURING FY 2010, THE MFCU ADDRESSED MORE THAN 3,900 REPORTS OF POSSIBLE ABUSE OR NEGLECT AT NURSING AND GROUP HOMES, OBTAINED 6 CONVICTIONS INVOLVING ABUSE OF ELDERLY AND VULNERABLE PERSONS, AND RECOVERED MORE THAN \$3.5 MILLION IN RESTITUTION TO THE MEDICAID PROGRAM THROUGH CIVIL AND CRIMINAL RESOLUTIONS. THE MFCU INCREASED ITS STAFFING COMPLEMENT BY TWO STAFF MEMBERS IN FY 2011 TO ASSIST WITH THE CASE WORK ASSOCIATED WITH THE MORE THAN 300 OPEN

QUI TAM MATTERS. THESE CASES OFTEN RESULT IN SETTLEMENTS THAT RETURN DOLLARS TO THE MEDICAID PROGRAM. IN FY 2011 TO DATE, THE MFCU HAS RECOUPED MORE THAN \$2.25 MILLION FROM *QUI TAM* CASES.

DISCRETIONARY WORK CONDUCTED UNDER THE OIG'S COMPLIANCE PROGRAM IS ALSO SIGNIFICANT. FOR EXAMPLE, THE AUDIT DIVISION HAS ALIGNED ITS AUDIT UNITS TO ADDRESS HIGH - RISK AREAS IN THE DISTRICT SUCH AS PROCUREMENT, MEDICAID, AND EDUCATION PROGRAMS. MORE SIGNIFICANTLY, FOR THE REMAINDER OF FY 2011 AND DURING FY 2012, OUR AUDIT DIVISION WILL BE UNDERTAKING REVIEWS OF DISTRICT STIMULUS EXPENDITURES AND RE-AUDITING PRIOR AUDITS WITH THE OBJECTIVE TO VERIFY WHETHER AGENCIES HAVE IMPLEMENTED RECOMMENDATIONS THAT WERE INTENDED TO CORRECT REPORTED DEFICIENCIES. THESE EFFORTS ARE CURRENTLY UNFUNDED.

FOR FY 2010, THE AUDIT DIVISION ISSUED 28 REPORTS WITH TOTAL POTENTIAL MONETARY BENEFITS OF APPROXIMATELY \$25.8 MILLION. WHEN COMPARING THESE POTENTIAL MONETARY BENEFITS TO AUDIT DIVISION COSTS OF APPROXIMATELY \$3.3 MILLION, THE RESULT IS A RETURN ON INVESTMENT FOR AUDITS PERFORMED BY OIG AUDIT STAFF THAT EXCEEDS \$8 FOR EACH DOLLAR INVESTED. IN LIGHT OF CURRENT ECONOMIC CONDITIONS, THE AUDIT DIVISION HAS AGREED TO GIVE UP SIX AUDIT POSITIONS (TAKEN FROM THE FY

2011 APPROVED BUDGET AND IN THE FY 2012 BUDGET), AND IS STILL TRYING TO REMAIN PROACTIVE WITH LIMITED RESOURCES.

THE INSPECTIONS AND EVALUATIONS DIVISION (I&E) IS TASKED WITH CONDUCTING INSPECTIONS AND RE-INSPECTIONS OF DISTRICT AGENCIES, AS WELL AS SPECIAL EVALUATIONS REQUESTED BY BOTH THE COUNCIL AND THE MAYOR. SINCE THE DATE OF LAST YEAR'S BUDGET HEARING, I&E HAS PROVIDED DISTRICT AGENCIES WITH MORE THAN 40 FINDINGS AND 80 RECOMMENDATIONS AIMED AT IMPROVING THEIR INTERNAL OPERATIONS AND THE SERVICES THEY PROVIDE.

AS REFLECTED IN OUR REPORTS, WHICH ARE DISTRIBUTED TO THE LEGISLATIVE AND EXECUTIVE BRANCHES TO ASSIST THEM IN THEIR OVERSIGHT RESPONSIBILITIES AND PUBLISHED ON OUR WEBSITE FOR PUBLIC ACCESSIBILITY, THE OIG WILL CONTINUE TO STRIVE TO PROMOTE ECONOMY, EFFICIENCY, AND EFFECTIVENESS IN DISTRICT PROGRAMS AND OPERATIONS. THE OIG HAS DONE AND WILL CONTINUE TO DO THIS BY, AMONG OTHER THINGS, EXPOSING IMPROPRIETIES BY EMPLOYEES AT ALL LEVELS, INCLUDING AGENCY DIRECTORS, REFERRING MATTERS TO APPROPRIATE LAW ENFORCEMENT ENTITIES, SUCH AS THE UNITED STATES ATTORNEY'S OFFICE FOR PROSECUTION, EXPOSING OPERATIONAL DEFICIENCIES, AND ENCOURAGING, THROUGH ALL THE RESOURCES AT ITS DISPOSAL, THE ADOPTION OF CORRECTIVE ACTIONS.

FINALLY, AS I HAVE PREVIOUSLY STATED AND CONTINUE TO BELIEVE, ALTHOUGH CONGRESSIONAL LEGISLATION PROTECTS THE INSPECTOR GENERAL'S BUDGET REQUEST AS A MEANS OF ENSURING INDEPENDENT AND EFFECTIVE OVERSIGHT OPERATIONS, I BELIEVE THAT OUR PERFORMANCE OUTPUTS AND OTHER CONTRIBUTIONS TO GOOD GOVERNANCE PROVIDE A SEPARATE BASIS TO JUSTIFY OUR BUDGETARY REQUIREMENTS.

THIS CONCLUDES MY TESTIMONY, AND I WILL BE HAPPY TO ANSWER ANY QUESTIONS THAT YOU MAY HAVE.